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INFO RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE IMMEDIATE
RUCPDO/DEPT OF COMMERCE WASHDC IMMEDIATE
RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE

UNCLAS SECTION 05 OF 06 QXICO 003307

SIPDIS

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STATE FOR EB/IFD/OIA HEATHER GOETHERT AND JOHN FINN
STATE FOR L/CID SAM MCDONALD
STATE FOR WHA/MEX AND WHA/EPSC
TREASURY FOR IA MEXICO DESK ALICE FAIBISHENKO

E.O. 12958: N/A

TAGS: [EINV](#) [ETRD](#) [KIDE](#) [CASC](#) [OPIC](#) [PGOV](#) [MX](#)

SUBJECT: MEXICO 2007 REPORT ON INVESTMENT DISPUTES AND
EXPROPRIATION CLAIMS - PART 2

* Missing Section 001 *

* Missing Section 002 *

* Missing Section 003 *

* Missing Section 004 *

MEXICO 06253307 005 OF 006

California entered the plant and placed closure seals on the equipment. In November 2005 the firm obtained a court injunction voiding the state's closure action, but later the same day the City of Mexicali revoked its municipal environmental permit. In March 2006, officials from the Department of Ecology for the State of Baja California, accompanied by three truckloads of armed police officers, entered the facility and placed closure seals on plant equipment for a second time.

The U.S. owner of the firm reported that in an April 2006 meeting, the Cabinet Secretary for the state Department of Ecology claimed that the company had not complied with his department's regulatory requirements and that it has various omissions in its (2001 and 2003) permit applications to his department but he refused to specify the nature of the alleged omissions and compliance failures. (He also alleged that the company was in violation of local zoning ordinances, but this issue lies outside the jurisdiction of his agency, according to the firm's legal counsel). The Embassy has raised the issue with the Secretariat of Foreign Relations and the Mexican Customs Agency.

Mexican authorities at various levels remain intransigent on this issue, and have rebuffed or ignored

Consular efforts to use our good offices.Q; U.S. EPA Administrator Steve Johnson will tour the conveyor belt facility and meet with Baja California Gov. Elorduy on 28 June 2007.Q; Embassy EST representative and Tijuana Consul General are not participating in the tour given the governor's unwillingness to work towards resolving the case. The Consulate General in Tijuana is following the issue closely.

¶18. a. Claimant Q

b. 2002

c. According to the Claimant,Q;in 2002 Rodolfo Arciniega NietoQ;executed a fraudulent power-of-attorney that turned over a number of the Claimant's registered trademarks to himself. The Claimant never authorized this transfer, and the notary public who supposedly granted the power-of-attorney has stated he never did so. Mr. Arciniega subsequently sold these trademarks to other Mexican businessmen, one of whom registered them with the Mexican Institute of Industrial Property, the federal government agency responsible for registering trademarks and patents. A number of business owners have since used the Claimant's trademarks without the Claimant's authorization, claiming that they are entitled to their use via the fraudulently transferred and registered rights. The Claimant has initiated a number of civil, administrative, and criminal legal actions against those involved in the unauthorized transfer and use of its trademarks but has been frustrated by the long delays in bringing these cases to a final judgement. The Embassy will continue to monitor the case as it develops.

¶19. a. Claimant R

b. 2006

c. The Claimant, funded by the Overseas Private Investment Corporation (OPIC) signed a contract with the Junta Central de Agua y Saneamiento de Chihuahua (JCAS), and Junta Municipal de Agua y Saneamiento de Cuauhtemoc (JMAS) on July 20, 2004 for the construction of a water treatment plant in Cuauhtemoc, Chihuahua. The contract had a term of 20 years at a price of \$5,103,000. A change of Governors in October 2004, adversely affected the project. The State of Chihuahua stopped making payments and the contract was deemed invalid by the State of Chihuahua comptroller's office. In order to resolve the conflict, Lemna, OPIC, and JCAS agreed to modify the previous contract to meet the terms of Mexican federal and state law and convert it to a build and transfer (turnkey) contract.

After extensive negotiations, on April 20, 2007 Lemna and JCAS/JMAS signed a new, extensive contract validating the previously disputQ contract signed July 2004, which formally finalized the sale of the water treatment plant in CuauhtQmoc Chihuahua for 67,038,862 Mexican Pesos. The first installment was received by Lemna on May 25, 2007. This first payment constitutes approximately 90 percent of

* Missing Section 006 *
